

## **Toward and Beyond Asia-Pacific Economic Cooperation Summit 2015: Key Issues and Challenges of Professional Service Mobility**

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### **Abstract**

Labor mobility or professional service mobility, in particular, has become increasingly important. Its prevalence (in terms of volume of jobs) in trade in services and its economic contribution to Asia-Pacific Economic Cooperation (APEC) and other regional trading blocs is increasing. However, as appropriately noted in the General Agreement of Trade in Services (GATS), the movement of natural persons continues to have barriers due to misconceptions and political issues. In this study, the importance of and barriers to professional service mobility are explained and emphasized in the hopes of making this a priority issue for the APEC Summit in 2015.

Documents from APEC database dated from its inception until 2013, trends and data from APEC, World Bank (WB), and United Nations Conference on Trade and Development (UNCTAD), and literature from International Organization for Migration (IOM), Philippine Institute for Development Studies (PIDS), UNCTAD, University of Southern California (USC) Marshall School of Business, and Pacific Economic Cooperation Council (PECC) have been extremely helpful in providing the following nuanced picture of the unliberalized state of labor mobility in APEC: that policies and programs favor movement of professional workers but deter freer movement for lower skilled workers; that discussions on labor mobility are scarce; and that the focus of labor mobility is on its enhancement rather than its facilitation. Literature on the links between labor mobility and human development, labor mobility and inclusive growth, and labor mobility and trade all have shown that liberalization of professional workers has a positive impact and is a necessary condition to economic growth and development.

During the study's focus group discussion (FGD), the APEC Human Resources Development Working Group (HRDWG) provided recommendations through these main points: (1) professional service mobility is not synonymous to migration given its impermanence and that the relationship is between a foreign employer and an intermediary; (2) skilled workers pertain to those bearing professional licenses, while unskilled (lower skilled) workers pertain to blue-collar workers, but such distinction must be scrapped; and (3) education/training is deemed as very important by all sectors of society as indicated by the preference for professional workers over lower skilled workers.

The study recommends that a comprehensive discussion related to professional service mobility be one of the priorities in the APEC 2015 Summit, in particular, covering topics such as the APEC-wide Qualifications Referencing Framework; guiding principles in country-to-country labor policies; Human Capital Management; and the systematic collection of good labor statistics.

Keywords: Labor Mobility, Professional Service Mobility, Asia-Pacific Economic Cooperation Summit 2015

## I. Introduction

The Philippines, as member of the Asia-Pacific Economic Cooperation (APEC), is given the honor to chair the APEC Summit in 2015. The Summit is an economic forum promoting regional cooperation in free trade and economic prosperity among member-economies in Asia-Pacific. Setting the agenda for this year's Summit will come from the inputs provided by research teams from the Philippine Institute for Development Studies (PIDS), Ateneo de Manila University (ADMU), and Asian Institute of Management (AIM), as well as respective government agencies directly involved in implementation. Several topics to which the host is tasked to formulate, like core issues faced by the host economy, as well as other issues faced by majority of the member-economies, will be tackled.

One of these topics is about labor mobility or the freer movement of workers within the region. In this study, the term professional service mobility will be used interchangeably with labor mobility. This was decided during the study's focus group discussion (FGD)<sup>1</sup> where the participants deemed that it was more appropriate to use professional service mobility based on the context of the study. In addition, professional service mobility is defined as inclusive of both professionals and other careers not usually counted as professional because of a recommendation which will be explained later. Labor mobility, on the other hand, is a concept that has already been widely labelled in several studies.

Although the overall theme of the Summit has not been formalized as of date, the APEC National Organizing Council (NOC) has already identified the four priorities for the APEC Summit: Enhancing the Regional Economic Agenda, Fostering the Small and Medium Enterprises' (SMEs) Participation in Regional and Global Markets, Supporting and Investing in Human Resources, and Building Sustainable and Resilient Communities. Professional service mobility falls under Enhancing the Regional Economic Agenda.

Inclusive growth will also be one of the overarching themes for the Summit. This is aligned with President Benigno S. Aquino's main economic platform as stipulated in the Philippine Development Plan (PDP) 2011-2016. Inclusive growth as defined in the PDP is

“...growth that is rapid enough to matter, given the country's large population, geographical differences, and social complexity. It is sustained growth that creates jobs, draws the majority into the economic and social mainstream, and continuously reduces mass poverty.”

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1 Focus group discussions are a form of research wherein a small number of people are gathered to discuss a topic of interest.

2 Under the subpriority, Promoting Connectivity, including through Services, issues on Professional Service Mobility, is discussed together with issues on Global Value Chains, Eco-Tourism, People-to-People Tourism, and Supply Chain Connectivity. Other subpriorities under Enhancing the Regional Economic Agenda include Support for the Multilateral Trading System, Advancing the Free Trade Agreement of the Asia-Pacific, Multi-Year Plan on Infrastructure Development and Investment, including bankable projects, and Advancing Regulatory Coherence.

Thus, inclusive growth is growth that is trickled-down to the poor. The concept of labor mobility is under the main goal of achieving Poverty Reduction and Empowerment of the Poor and the Vulnerable, through the provision of jobs for different skillsets.<sup>3</sup>

The PDP likewise recognizes the nation's ties with other countries and its membership in various regional trading blocs such as Association of South East Asian Nations (ASEAN) and APEC. As emphasized in the PDP (cited by Riguer, 2013), he states that:

“An outward-looking orientation must be complemented by an alignment of laws and regulations that facilitate the expected benefits and lessen any adverse effects of interfacing closely with the world economy. Internal processes and legal framework must be strengthened to take advantage of opportunities presented by the global economic environment.”

This means that there is a need and it is important to review the country's laws such as those pertaining to labor mobility in order for economic benefits of globalization to be maximized. The resulting harmonization of country-to-country laws will possibly pave way for achieving desired benefits from liberalization. Likely as important is the alignment of the priorities established by the APEC NOC with the Administration's priorities.

Meanwhile, the Technical Board on APEC matters (TBAM) cluster on Human Resource Development wanted Supporting and Investing in Human Resources priority to be the major priority in the next APEC Summit because of its desired emphasis on human resources as a “be all, end all” of an economy. Similar to the goals expressed in the PDP, inclusive growth can be also achieved through investment in human capital. Human capital development is vital to the strong link between trade and economic growth. Enhancement of the quality of labor can spur further trade and economic growth, and vice versa. The Asia-Pacific region as a whole can cooperate in order to bring about human capital development among equitable growth, both domestically and regionally.

APEC has already garnered several achievements on the liberalization of goods through the lowering of tariffs and on the liberalization of services through outsourcing, yet a liberalized labor movement appears to have been left behind. Labor mobility is not given importance, being a highly sensitive topic due to various political reasons. Some reasons and misconceptions for such neglect are labor mobility being synonymous to migration; labor shortage in receiving economies; and the brain drain occurring in sending economies. While studies have shown that the liberalization of the movement of natural persons is largely beneficial to both receiving and sending countries, and to the region as a whole (Hamilton and Whalley, 1984; Walmsley and Winters, 2002; Pacific Economic Cooperation Council (PECC)-APEC, 2008; ABAC-University of

<sup>3</sup> The PDP addressed 18 specific sector outcomes, which are subgoals to the government's major five posts or goals, which are the following: Anti-corruption/Transparent, Accountable and Participatory Governance; Poverty Reduction and Empowerment of the Poor and the Vulnerable; Rapid, Inclusive and Sustained Economic Growth; Just and Lasting Peace and the Rule of Law; and Integrity of the Environment and Climate Change Mitigation and Adaptation.

Southern California (USC) Marshall, 2009), most member-economies continue to take a protectionist stance toward labor mobility.

The bloc's protectionist stance toward labor mobility is manifested in many ways. For example, the long application processing periods to obtain a work permit. Visa application periods vary widely among countries. Visa applications processing period to Canada takes an average of 6–8 weeks (Canadian Embassy, 2014), to Australia 4 weeks, while visa applications to China and the Philippines are 4 working days (Chinese Embassy, 2008; Trivisa Visa Services, 2014). In another example, there is a case of the so-called “job mismatch” as expressed below by an interviewee to ABAC-USC Marshall team (2009):

“A business in Malaysia wanted to hire 20 Indonesian engineers because they could not find Malaysian engineers with the particular skills to do the job. The government refused because they did not believe that it took a specific skill set to operate the machinery and they thought that there were enough Malaysian engineers who could fit the role. The business finally invited a high level government official to watch a test of a Malaysian and an Indonesian engineer. After witnessing that the Malaysian engineer did not even know how to turn on the machine, the government official finally understood that their economy lacked engineers with the right training for this job.”

As of the moment, APEC has only facilitated or managed professional service mobility<sup>4</sup> mainly due to a slightly liberalized movement initiated among the ASEAN member-economies and North America Free Trade Agreement (NAFTA) member-states, separately. The bloc's major initiatives so far are the APEC Business Travel Card and the bilateral Mutual Recognition Agreements (MRAs). Note that there are some members of APEC that are also part of the ASEAN, while other members are covered by the NAFTA.ASEAN, for its part, is pushing for the formation of the ASEAN Economic Community (AEC) in 2015 and already has the Labor Ministers' Work Programme, the Declaration on the Protection and Promotion of the Rights of Migrant Workers. These initiatives aid ASEAN countries in materializing commitments to protect workers deployed outside the home country. ASEAN's most recent and important achievement is the establishment of the ASEAN Qualifications Referencing Framework (QRF), creating appropriate standards for skills needed by different industries throughout the region. On the other hand, NAFTA has a chapter dedicated to labor mobility, allowing professionals with a bachelor's degree as the minimum requirement for movement across Canada, USA, and Mexico.

APEC, meanwhile, has been keen on human resource development initiatives especially in the realm of education and job training, but initiatives that will enhance and facilitate labor mobility itself, are scarce and still ongoing.

<sup>4</sup> Facilitated or managed professional service mobility means that while commitments are being made in order to achieve the objective of having a single production base (as in ASEAN), national laws of its member-economies are acknowledged and respected (Riguer, 2013).

So while ASEAN commitments do facilitate movement of labor, full mobility or truly free movement in Asia-Pacific is seen as unfeasible. ASEAN commitments recognize sovereignty or respect national limitations. Given that many member-economies of APEC are also members of ASEAN, it is likely that the stance APEC will be making in the next five years is same with that of ASEAN. The APEC, however, is urged to pursue in the long term a full labor mobility stance, as implemented in other regional trading blocs, such as the European Union (EU), the Mercado Común del Sur (MERCOSUR), and the Commonwealth of Independent States (CIS). The success of these trading blocs in attaining full labor mobility will be discussed later in the succeeding chapters. There is a need, then, to learn from their experience in order for APEC to realize maximum benefits from liberalized labor mobility policies.

## A. Objectives

The main purpose of this study is to explore the ways of strengthening cooperation on professional service mobility in the context of APEC economies' legal and regulatory frameworks and the policy environment. The following main questions will be addressed in this study:

1. What is the importance of professional service mobility in the Asia-Pacific region and in other regions worldwide? What are the issues in professional service mobility and its liberalization?
2. What has been discussed by APEC in relation to the concept of professional service mobility and its issues?
3. What have been the recent developments with regard to professional service mobility outside of APEC?
4. Are there existing or emerging opportunities and initiatives for cooperation within the APEC region?
5. What are the recommendations that can be pursued in response to issues that hinder the liberalization of professional service mobility (as discussed during the National Human Resource Development Working Group (HRDWG))?
  - These recommendations from National HRDWG representatives will complement the study's findings on advancing trade in services to achieve regional economic integration. This is in line with the increasing role of the services sectors in the growth and evolution of APEC economies, including the Philippines, where the share of the services sector in gross domestic product (GDP) continues to increase.

While a full labor mobility stance is desired in the long run, it may not be appropriate for the region as of the moment. Also, a more open and integrated regional economy in the APEC region may not be advantageous to low skilled workers, contrary to the aim of making integration beneficial to the whole workforce. In light of this, it is deemed appropriate to identify issues and challenges relevant to labor mobility not only in the interest of the Philippines but within the APEC context.

## **B. Methodology**

In order to achieve the objective, methods utilized include a thorough review of literature and gathering of qualitative data and analysis. Literature examined are meeting summaries of HRDWG from 1997 to 2013; established Leaders' Declaration from 1997 to 2013; and literature on the labor mobility concept from recognized institutions such as World Bank (WB) and International Organization for Migration (IOM). Experiences of other trading blocs were also examined. Meanwhile, qualitative data were collected through a conduct of FGDs among experts from the National HRDWG of APEC. Some inputs were taken from the National Workshop on Services and analysis in linkages between the liberalization of labor and economic growth and development, and labor mobility and inclusive growth, were processed.

## **C. Significance of the Study**

Demographics coming from the Asia-Pacific region, particularly from developing countries, show huge potential for economic growth coming from human resources. Several commentaries from global leaders, the academe, and private sector have acknowledged that the youth can be a main economic asset for a country or a region. In particular, an emergence of lower dependency ratios and a booming, productive economy are likely scenarios if the trend being faced by the said country has a declining proportion of children, while at the same time an increase in the proportion of youth and working adults. Note that the working population is normally between ages 15 and 60 years. Sixty percent of the youth (people from ages 15 to 24 years old) alone is said to come from the Asia-Pacific (UNESCAP, 2013). Trends exhibit that for developing countries in Asia and Africa, increases in the working age population are sustained, while elsewhere in the world it is characterized by population aging (Lee, Mason, 2013). Hence, given that the population in most developing countries is increasingly concentrated in working age, economic conditions for such countries are expected to be favorable.

The catch is that benefits will only be apparent if governments ensure that needs in education and training and the supply of jobs are met (Madsen, Daumerie and Hardee, 2010). Education and training are the cornerstones of human capital development and the human capital theory has concretized its importance. In the human capital theory, the supply of jobs is assumed to be present. If in reality, these three requirements are not met, the young population would only be a source of bane to a country. It may lead to greater conflict, weak governance, gender inequality, and even higher fertility (leading to even greater population growth). Greater population growth has adverse effects on its own such as climate change and environmental issues.

It is important therefore to take heed of such trends and the underlying policies that need to support human resources in order to achieve inclusive economic growth and development. Inclusion of several kinds of careers for mobility—professional and nonprofessional, for instance—can achieve the inclusive growth objective. Labor mobility policies that are conducive to these trends will greatly help in supporting and investing in human resources, which is one of the major priorities in the APEC Summit. Hopefully, this study will contribute to a bigger research that will provide

the analytical framework that would form part of the substantive priorities that the Philippines will push for as APEC Economy Host in 2015. The output of the study can also serve as a think paper on policy guidelines and recommendations on the possible cooperation mechanisms within APEC framework to improve labor mobility.

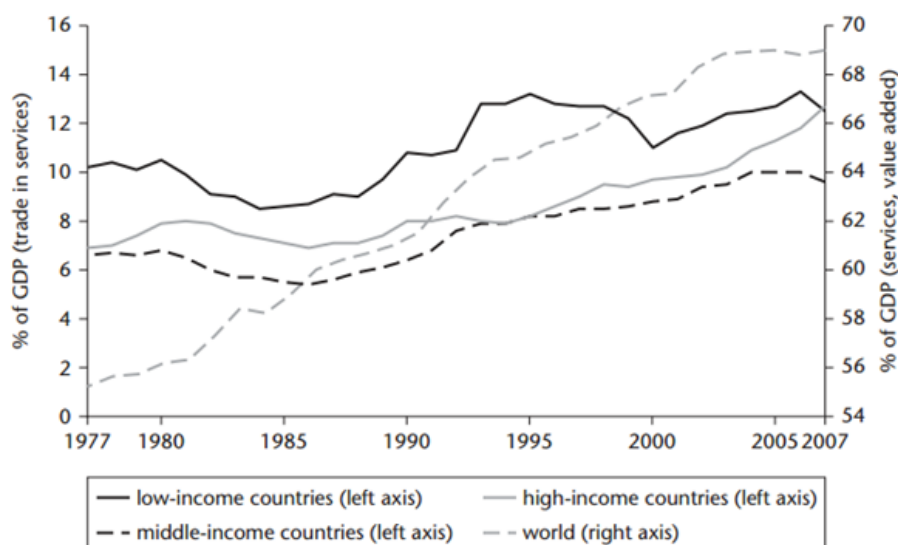
The paper is organized as follows. Section II presents an overview of the key issues and importance of labor mobility in APEC; Section III provides a summary of the previous discussions on labor mobility; Section IV describes the recent developments on labor mobility within and outside the region; Section V discusses the emerging opportunities and initiatives for cooperation; and finally Section VI provides a summary and recommendations that can be part of APEC Summit discussions in 2015.

## II. Key Issues and Importance of Labor Mobility in APEC

### A. Overview of the Services Sector

Services are defined by the UN (2009, cited by Serafica, 2014) as the result of a production activity that changes the conditions of consuming units or facilitates the exchange of products or financial assets. Trade in services has become increasingly prominent in international trade, although its growth accelerated only during the 1990s. The important role of trade in services in the economy can be measured using trade in services as a percentage of GDP. Trade in services, worldwide, used to be only less than 2 percent in 1977, but has ballooned to roughly 75 percent in 2007 (World Bank, 2010). Figure 1 presents an ever growing contribution of trade in services to the average GDP of low-income countries, middle-income countries, high-income countries, and the world average. This is to point out that no matter the change in measure of trade in services (from mere percentage of GDP to value-added percentages, which will be discussed later), its contribution to GDP is still steadily increasing.

Figure 1. Trade in services as a percentage of GDP (1977–2007)



Source: World Bank



Data on trade in services during 1970s were recorded simply as percentage of GDP, seen in the left axis, but to date it is being recorded as value-added trade, seen in the right axis. Over the years, data on trade in services have shown exponential growth due to several services being a part of a process of final product. It should be noted that prior to and during the 1970s, a firm's production process is solely confined in one country. The prevalence of information and communication technologies (ICTs) has made it possible to expand production processes offshore. Whereas before, a complete value chain operates in one area, but now parts of a production process have been sent offshore to be implemented by another country. This scales the production process to a global one, hence the relatively new concept of global value chains (GVCs). GVC is the term given to borderless production systems that are characterized by (1) sequential chains or complex networks globally, regionally, or bilaterally; (2) fragmentation of production processes and dispersion of tasks; and (3) transnational corporations as typical coordinators (UNCTAD, 2013). The role of services in GVCs is two-fold: (1) they act as glue within GVCs of manufactures and (2) they constitute GVCs on their own. Services are delivered within the product, for they were already embodied during the production processes. It has been observed that, starkly, global services value chains are already part of multinational corporations' operations and will be implemented in smaller businesses as well in the near future.

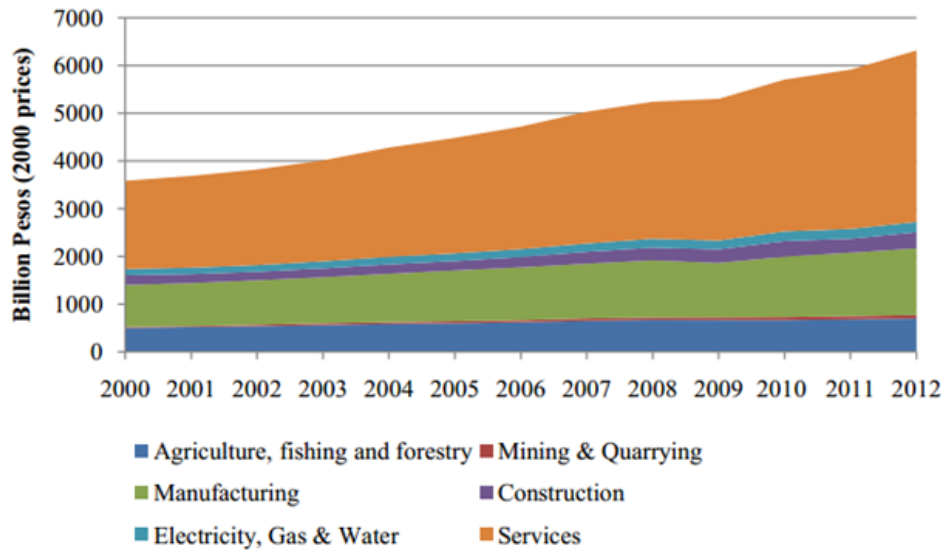
Data on trade in services are measured as value-added because the emergence of GVCs has led to double counting of trade in services. With the fragmentation of tasks, a raw material used for a firm's production may be counted several times as exports in different countries as it goes through different production stages. Take for example a raw material used in country A, then passed to country B for stage 1 of production, then passed to country C for stage 2 of production. In GDP accounting, that raw material being referred to is counted only once, a contribution to country A's GDP. However, that original material will be counted as exports in several countries where a production process took place. Hence, recorded world exports are likely to balloon.

Trends reported by the United Nations Center for Trade and Development, or UNCTAD (2013), show that the global economy is characterized by the prevalence of GVCs, with transnational GVCs accounting for 80 percent of global trade. Foreign direct investments at a value of USD 1.4 trillion is attributed to the ever increasing internationalization. Also, value-added trade is said to have contributed 30 percent, on the average, to developing countries' GDP, while it makes up for 18 percent of developed countries' GDP.

In the Asia-Pacific region, meanwhile, services in APEC contributes 68 percent to the average GDP among APEC members, 19 percent to the average share in total exports of goods and services among APEC members, and 39 percent to the average share in value-added trade (Pasadilla, 2014).

In the Philippines, the contribution of the services sector to GDP has been accelerating for the past decade (Serafica, 2014). Figure 2 presents the six main industries (Agriculture, Manufacturing, Electricity, Gas and Water, Mining and Quarrying, Construction and Services) and their contribution to the country's GDP. For years 2000 to 2012, only the services sector has consistently provided large value-added gains to the economy, while

Figure 2. Gross Domestic Product by Industrial Origin



Source: Serafica (2014)

other sectors gave modest contributions. A simple explanation for such phenomena is that services are demanded both as intermediate input and as final consumption itself, unlike the other sectors wherein its outputs are only counted in its finished stage. Note that services also account for 62.15 percent of its intermediate inputs.

In gross terms, the contribution of trade in services to the domestic economy in terms of exports is 23.53 percent, while in value-added terms, the contribution of trade in services is at 44.1 percent.

Several statistics above have proven the importance of trade in services to the economy. Yet, existing trade policies have not helped in this acceleration but rather restricted its growth. In particular, the liberalization of trade regulations has led to an exponential increase in flows of capital and goods between economies, but restrictive stance in the freer movement of the other factor of production—workers—remains. This is a crucial matter because the growth of the services sector is mainly dependent on labor. Globally, the services sector is the biggest employer of labor (Tullao, 2014).

## B. Importance of Human Capital Development

In another perspective, growth in the services sector would not be possible without increasing the endowment of human capital. Investment in the human capital is necessary to achieve economic growth both domestically and globally. There are three ways investment in human capital can be achieved and these are investment in education, skills, and job training.

Linkages between human capital development and economic growth and development are prevalent, but these focus only heavily on the domestic economy. Cumulative productivity in a society contributes to economic growth. Cumulative productivity in a society, across all job classifications and for a sustained period of time, contributes to economic development. Productivity is rooted in every individual, whose level is signified by an individual's human capital endowment. Through education, skills, and job training, the potential to do tasks according to what is required may be converted into its highest quality and most efficient work.

Linkages between trade in services and human capital development and vice versa, meanwhile, are indirect but nevertheless strong. Isakkson (2002) showed that human capital development is vital to the strong link between trade and economic growth. The rationale behind this is in the nature of human capital in a country—"its ability to adopt, adapt, and imitate new technology is characterized by the country's human capital endowment. The link between Human Capital Development and Trade, meanwhile, lies on the rationale that acceleration of trade will increase given the help of the labor factor. Human capital endowment in the domestic economy's labor will be enhanced, or the quality of labor will be enhanced through mobility of natural persons. This is also applicable to other modes of supply, wherein through education and training in other countries, the quality of labor endowed by a professional would be more enhanced through learning of their best practices, and these skills and abilities may be used in the domestic economy, eventually, for further acceleration of trade and globalization.

### **C. Definition of Professional Service Mobility**

The focus of this study is on professional services. Tullao (2014) defined the professional services as those employed in activities with limited use of manual labor. Usually, these activities are highly knowledge intensive in nature, performed by individuals with license or are accredited in a particular profession. Nonlicensed individuals may also perform said professional services, though these are done by highly educated and skilled professionals. Box 1 provides a list of professional services as defined in the GATS and a list of regulated professions as provided by the Professional Regulation Commission (PRC) (Cueto, 2014).

Workers that are not in the list are usually referred to as unskilled or lower skilled workers. Occupations such as plumbers, domestic workers, welders, and construction workers, in general, are referred to as unskilled or lower skilled workers. However, it will be pointed out later that part of the initiatives heeded is to remove such classification between "skilled" and "unskilled" workers.

Professional service mobility or labor mobility policies have taken the stance of enhancement through trainings and certifications, rather than facilitation of movement of workers. Even until now, factors such as complex processes in getting temporary working visas and maximum number of workers capped by the government exist and create a domino effect. Talks on labor mobility are greatly neglected as compared to trade of goods, and this neglect will hinder economic prosperity despite the best effort of a liberalized trade in goods.

Labor mobility comes into play through Mode 4 of the GATS: Movement of the Natural Persons. It was defined as a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member. The “natural persons” definition refers to self-employed service suppliers who are natural citizens of a particular country, or natural citizens of a particular country who are employed by a service supplier to deliver or supply the service. These include “short-term employment of foreign doctors or teachers, intracorporate staff transfers and, more generally, short-term employment of foreign staff in foreign affiliates, short-term employment of construction workers, or paid domestic helpers.”

Labor mobility or the Movement of Natural Persons is not acknowledged as being a major mode of supply, as evidenced by the contradiction between the increasing migration flows and several restrictive policies and processes. Data presented by Shiino (2014) also showed that the estimated share to the total value of services trade by Mode Supply 4 is only a mere 1–2 percent. This is a diminutive contribution as compared to the other modes of supply, namely, cross-border supply contributing at an estimated 35 percent to the total value of services trade; consumption abroad accounting for an estimate of 10–35 percent; and commercial presence accounting for half of the total value of services trade. This might explain the weak support for liberalization of professional service mobility. It appears, however, that since the focus is only in the perspective of trade in services, the contribution of movement of natural persons to the respective domestic economies is not captured. However, the recognition that the services sector is the biggest employer of labor is needed (Tullao, 2014).

Labor mobility is synonymous to temporary worker migration. However, the term “migration” spurs a lot of misconceptions, mostly relating to its permanence, the possibility of permanent residence and the corresponding social, political, and cultural issues that are dragged along with it; and the individual-to-employer relationship focus. The topic of migration brings discomfort to government officials and some groups of citizens due to unwanted burden for the migrants’ social insurance and other services, probable lowering of wages, and tightened competition on the available jobs. Permanent migration does not help the domestic economy mainly due to brain drain. Valuable talent leaving the country for better opportunities leaves the domestic economy at a loss. The economy loses from investing in education and training for these professionals when their talent is used elsewhere and is not applied in the country. While much of the hype is centered on the Business Process Outsourcing (BPO) industry, or mode 1 classification of GATS (cross-border supply), labor mobility, which has been observed to contribute largely to economic prosperity but could not be accurately measured as of the moment, continues to be neglected.

#### **D. Benefits in Liberalization of Labor**

Despite tremendous expansion of GVCs, outsourcing and relocation (GATS mode 1) have only benefited some industries such as manufacturing, call center, informational technology, and certain professional services. These industries greatly benefited because of outsourcing or relocation is cost-efficient and it addresses labor shortages. However, it remains that the same idea cannot be applied to industries such as construction, agriculture, service workers, and healthcare; the movement of natural persons to

countries that are in need of labor supply in these industries will bring about greater efficiency. This only shows that the benefits of temporary labor mobility are great, though largely under-recognized.

Professional service mobility helps both receiving and sending economies through the following (WB, 2011; IOM, 2007; Jurado, 1999; UNCTAD, 2007; PECC-APEC, 2008; ABAC-USC Marshall, 2009):

*Professional service mobility creates a balance between labor shortages and labor surplus across economies.* Labor shortages and labor surpluses exist across economies. For APEC, Figure 3 presents a map of receiving and sending economies. Receiving economies comprise of countries that experience labor shortages, while sending economies are those that experience labor surpluses. In the figure, receiving economies are marked red, while sending economies are marked grey. Data on labor shortages and labor surpluses are not easily attainable and measurements differ from country to country. Usually, nonexperts would refer labor shortages to declining unemployment rates and increasing employment, “sometimes coupled with accelerating real earnings to indicate growing labor tightness” (OECD, 2003). However, labor shortages/surpluses could be more accurately measured through occupation-specific job vacancies.

Several factors cause large discrepancies in labor between economies. First, demographic gaps exist. In terms of age, aging populations in APEC in general include developed economies such as Japan, USA, and Canada. Meanwhile, young populations prevail in developing economies such as the Philippines, China, and Malaysia. Japan, for instance, has been in a sustained partnership with the Philippines since 2008 through the Movement of Natural Persons of the Philippines-Japan Economic Partnership Agreement (MNP-JPEPA). Japan’s aging demographics—a fourth of the total population over 65 years old, a median age of 46 years old, and an average lifespan of 84 years old (Pearce, 2014)—has resulted in a lack of nurses and caregivers. The UN has even reported that an estimate of 17 million foreign workers will be needed by Japan to restore demographic equilibrium (ABAC-USC Marshall, 2008). The Japanese government has already announced job vacancies through the Philippine Overseas Employment Agency (POEA). As of 2012, there are 77,248 temporary workers in Japan (Commission of Filipinos Overseas (CFO), 2012). On the other hand, the Philippines is globally known as the largest exporter of nurses and caregivers. Figures show that as of 2013, 100,000 Filipino nurses are being produced every year, which signifies a surplus in the said profession.

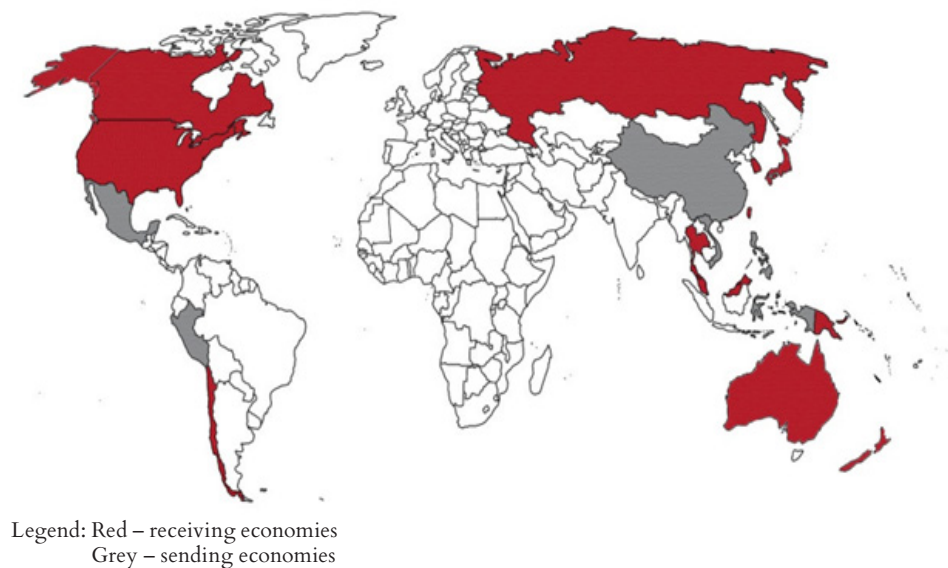
Aside from this, the proportion of populations with high educational attainment, which are larger in developed economies and smaller in developing economies, has led to large gaps in highly skilled and lower skilled workers. This implies that since people with higher educational attainment tend to take highly skilled jobs, vacancies for lower skilled jobs tend to increase.

Second, the level of democracy may be a factor in labor gaps. For example, threats to human security such as martial law, terrorism for a lengthened period, or poorly waged blue-collar workers in an area may increase labor shortages. Singapore serves as an apt example for this point. Prior to independence, Singapore was once a part of Malaysia,

along with Malaya, North Borneo, and Sarawak islands. Riots ensued because of racial tensions between the Chinese and Malays, and so Singapore was purged out of the Malaysian Federation. A late realization of the adverse effects in closing the economy to temporary labor migrants brought about policy change in the 1980s. Opening the country to foreign workers was one of the eventual strategies implemented to boost economic growth, concurrent to investments in the manufacturing sector. Total revamp of the public infrastructure transportation systems required workers in the manufacturing and construction sectors. Opening the economy up to trade required temporary professional workers. Domestic workers were also needed as office work became widespread to most Singaporeans. As of 2013, total foreign workforce is at 1.3 million (Singapore Ministry of Manpower, 2014). Given that their population is only at a low of 5.4 million, the proportion of temporary foreign workers in Singapore is 24 percent, noted as the highest percentage of foreign workers in Asia.

Third, the level of development in an economy may indicate its level of labor. An example would be the presence of highly developed infrastructure such as good public transport systems may entice professionals to move to the said area. Another example would also be the abundance or wanting of educational opportunities or good social

Figure 3. Map of receiving countries and sending economies in APEC



Source: ABAC/USCMarshall, 2008

security systems that exist along with the level of development. Workers would be attracted to settle in areas where efficient healthcare and social security systems exist. All these factors tend to produce gaps between demand for labor and supply for labor for a given economy. Liberalized professional service mobility policies have the capacity to fill this gap.



*Professional service mobility makes location-specific jobs present in most, if not all, economies.* In relation to job shortages discussed earlier, vacancies in jobs such as nursing, construction, and agriculture are needed as they cannot be outsourced and are part of some industries affected by structural change. Canada is one economy in need of agricultural workers during harvest time and has a bilateral partnership with Mexico and Caribbean Island countries through the Canadian-Mexico Seasonal Agricultural Workers Program. An estimate of 20,000 to 25,000 workers arrives from Mexico during Canadian harvest season, which is during March until November (University of Toronto, 2012). Either these farmers are working in Ontario, producing wine, or in Leamington, harvesting tomatoes. Agricultural jobs are location-specific; hence, this setup benefits both countries, receiving labor for the agricultural industry's survival, and sending labor which will, through remittances, benefit the sending economy. Vacancies in the Canadian agricultural sector are plentiful due to having passed through these structural labor shifts. Industrialization, which happened mostly in developed countries, has led to labor shifts from agriculture to manufacturing to services. Also, due to trade in goods and, the most recent, trade in services, labor shifts are occurring as economies choose the industries that exploit their respective comparative advantages.

*Professional service mobility provides continuum in the process of globalization and the benefits that come with it.* Due to globalization, competition among businesses is heightened. In the perspective of a business owner, businesses will desire to expand its production inputs at time of need. The presence of temporary labor mobility will help make businesses succeed by getting labor as swift as possible.

*Professional service mobility enhances regional economic integration through circular migration flows* involving the “acquisition of skills and knowledge in the early career in a foreign economy and its transfer and use in the native economy later in the career.” The inflow of finances, information, and practices from other economies will integrate both sending and receiving economies in APEC together. It will heighten the mix and produce a freer flow of cultural ideologies already being achieved through the liberalized trade in goods.

*Professional service mobility creates a link between mobility and economic development through remittances.* The impact of remittances to a country's economic growth cannot be denied. In basic macroeconomics, remittances make an impact through the balance of payments. In particular, inflows of capital increase the current account and prevent current account deficits. Remittances also contribute to greater consumption, which is a major driver of GDP. The Philippines is a testament to this. Every year, remittances are making record highs; the most recent (2013) is at USD 22.9 billion.<sup>5</sup>

*Professional service mobility, leading to a scattering of nationalities (also known as diaspora) may enhance economic development.* In relation to remittances, the PECC-ABAC study presented some examples on how diaspora communities benefited certain economies. Overseas workers may benefit economies by acting as middlemen in bringing in foreign

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<sup>5</sup> Representing cash remittances sent through banks or an estimated total remittances of USD 25.4 billion ([www.bsp.gov.ph](http://www.bsp.gov.ph)).

direct investments (FDI) to the sending economy. They can also be bridgeheads so that the receiving economy can successfully enter its products into the sending economy. These both generate income and may be able to contribute to economic growth.

*Professional service mobility enhances human capital development of the whole region.* Tullao (2014) said that the presence of professionals in countries in need will improve the quality of labor in the region. Through the provision of education done by education professionals in countries in need, human capital is developed. Through the provision of healthcare or medical care done by health professionals in countries in need, human capital is also developed. Lastly, through the provision of training by experts in their respective professional fields, human capital is developed.

*Professional service mobility spurs competition among countries in terms of labor.* Just like the provision of goods that achieves perfect competition through the elimination of market barriers, greater competition in the workforce will be ignited due to elimination of barriers in professional service mobility. Doubts linger among government officials as to whether the Philippines will lose out to the other professionals in APEC, but Filipinos actually have the edge in terms of customer care (and customer satisfaction is key in any profession) and is skilled and equipped in good work ethics.

## **E. Issues in the Liberalization of Professional Service Mobility**

Notwithstanding the benefits, several issues such as operational and practical issues come into play whenever talks on the liberalization of labor abound. In gist, APEC policies on labor mobility are two-faced, in favor of skilled professionals and businessmen, while discriminating lower skilled workers.

The USC Marshall-ABAC study summarized these issues through classifying barriers into four: socioeconomic, political, administrative, and cultural (Figure 4). Box2, meanwhile, presents in more detail the findings of the USC Marshall-ABAC study.

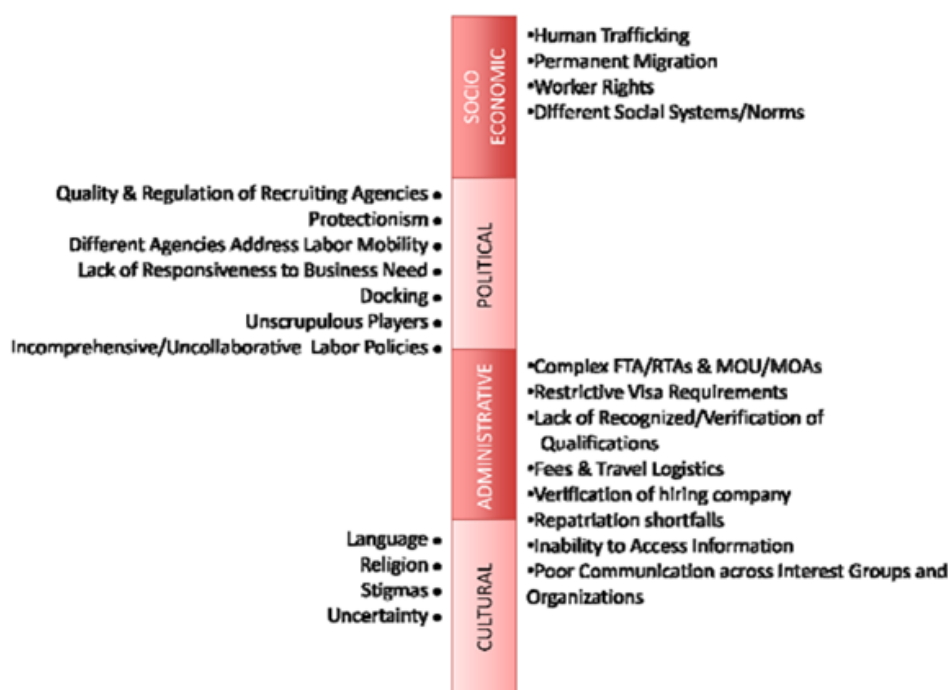
An example of a socioeconomic barrier is complexity in the identification of legitimate employers as these lead to abuse of human rights. In the same way, barrier in the identification of workers and businesses breaks down trust between two economies. Another example is the lack of health insurance or insurance for workers who provide service in another economy, but provision of social security benefits would already constitute an ideal labor migration system.

For political barriers, a specific example would be differing domestic laws and regulations, which will likely lead to discrimination of individuals attempting to provide services abroad. Hence, trade in services through labor mobility remains highly restrictive. Another political barrier is the lack of a single regulatory framework for the region, which hurts businesses that will desire more labor than what the government allows.

Administrative barriers, meanwhile, focus on complexities in the free-trade agreements (FTAs) and the memorandums of understanding (MOUs). No international labor agreement standards exist. Thus, FTAs and MOUs are inconsistent and lacking in



Figure 4. Barriers in the liberalization of labor



Source: USC, 2009

detail. Also, administration procedures in the worker's travel logistics are complicated and the corresponding fees are expensive. This sentiment is reflected as well in a study by PECC-Korea National Committee for Pacific Economic Cooperation (KOPEC), which said that "at every stage of the process—recruitment, preparation to travel to the destination, transit to the destination, at the destination and upon return to the home economy—migrant workers are subject to making payments for services and to gatekeepers."

Documentation of migration flows also is an administrative barrier in freer movement of workers. Mobility outside legal channels occurs in the region; thus, labor flows may be inaccurately reported. A well-documented system in the labor mobility process will enhance the legal process and will encourage migrant workers to go through the legal process.

Lastly, cultural barriers, which include the language barrier, usually lead to ineffective communication and coordination between economies. In addition, workers are usually unaware of cultural sensitivities of another economy and might get caught up in acts that disobey the tradition or laws of the said economy. This situation usually puts in tension between the two countries. Racism is also rampant in some parts of the world even up to today where workers face racist remarks and discriminatory treatment.

An issue exposed by the PECC-KOPEC study is on the increased feminization of women. Although labor exporting countries do allow mobility of women, the reality is that women tend to end up in jobs less-skilled than what they signed up for. This actually holds true not just for women, but for both genders as well, and this holds true for labor-exporting developing economies.

### **III. Previous APEC Discussions on Labor Mobility Review**

Talks on labor mobility have been very sparse in the 1990s and have only started to become prevalent in recent years. APEC documents revealed that since the early 1990s, issues related to labor focused on human capital development through education and training and mobility for education. Rarely have improvements to liberalize policies in labor mobility been discussed. Trade liberalization talks during this period also focused on trade of goods and on lowering tariffs. However, the established GATS, which was formed during the Uruguay Round and wherein APEC participated in, encouraged the regional bloc to initiate talks regarding the liberalization of trade in services. Although other regional blocs were more advanced in labor mobility discussions, APEC managed to catch up, eventually holding initiatives to enhance labor mobility through bilateral MRAs, the APEC Business Travel Card schemes. The year-by-year progresses in the discussions related to labor mobility are discussed below:

- 1993 – As manifested by the Leaders' Declaration in Blake Island, the APEC regional bloc was formed. The Leaders' Declaration in Blake Island made initiatives to put up an APEC Education Program and APEC Business Volunteer Program. These programs were seen as helpful in enhancing labor mobility, exchanging management skills and techniques, and igniting cooperation in the realm of human resource development. Leaders have recognized early on that “people of the region are its most important asset” and developing human resources should be prioritized as the dynamism of the region is largely dependent upon such resources. The HDRWG was formed. There are three areas of focus under the group, namely, the Capacity Building Network (CBN), the Education Network (EDNET), and the Labour and Social Protection Network (LSPN).
- 1994 – In Bogor, Jakarta, through the Declaration of the Human Development Resources Framework, priorities to sharpen human development skills through training and education were emphasized. Another priority relevant to labor mobility was also emphasized, which is the analysis of the regional labor market for trends and forecasting.
- 1995 – In the Osaka Agenda, economies were tasked to conduct the following in order to achieve the objective of enhancing the mobility of business people engaged in the conduct of trade and investment in the Asia-Pacific region: an exchange of information on regulatory regimes in regard to the mobility of business people in the region; scope for regional cooperation in streamlining and accelerating (1) the processing of visas for short term business travel and (2) arrangements for temporary residency for business people; dialogue on mobility issues with the business community.
  - The development of joint activities/dialogue of the HRDWG included facilitation of mobility for qualified persons through bilateral agreements

between interested APEC economies for the mutual recognition of professional qualifications (also known as MRA). Countries are asked to propose projects for funding that will enhance human resource development in terms of education, training, and mobility processes.

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- 1996 - The Manila Action Plan for APEC (MAPA) was outlined through all APEC members' individual action plans, and the organization of the APEC Business Advisory Council (ABAC) was achieved. In relation to labor mobility, ABAC urged member-economies to facilitate the movement of business persons and enhance human resources. To be specific, one recommendation was to introduce a five-year APEC Business Visa allowing multiply entries for a minimum of 60 days per entry, APEC Business Immigration lanes in ports of entry, expedited immigration processing for APEC Business Visa holders, and faster extension of business residency visas. The commencement of the APEC Business Travel Card scheme was announced, with three countries conducting the trial: Australia, Korea, and the Philippines. Another recommendation was to establish a set of common professional standards for APEC-wide recognition. This was assigned to HRDWG.

- 1997 - In the Senior Officials' Meeting in Vancouver, Canada, the implementation and improvements to individual action were reported. Countries have started to participate in the APEC Business Travel Card after the trial's success. Mutual Recognition Agreements (MRAs) were developed or in the process of being developed through industries such as automotive products, food products, fish products, electrical and electronic equipment safety, telecommunications, and laboratory accreditation.

- 1998 - In the 18th HRDWG in Chinese Taipei, Canada reported regarding the autopilot Electronic Source Book project that they spearheaded. While several projects are being conducted or proposed by member-economies, none was directly related to the facilitation of labor mobility. Most projects focused on skills training and education mobility. In Malaysia, the Kuala Lumpur Action Programme on Skills Development was enacted. Some projects in progress related to labor mobility include the Japan-APEC Partnership for Education and Training, wherein foreign students are provided on-the-job training at a term of 2-3 years, and the Business Volunteer Program, wherein experts in the private sector will be dispatched across the APEC region for further capacity-building.

- 1999 - During the 19th APEC HRDWG Meeting in Hong Kong, China, the importance of quality human resources in meeting the challenges such as education, labor-related training, and labor mobility protection and unemployment was emphasized. Canada presented a completed coordination paper on Developing Human Capital. Some other projects such as the University Mobility in Asia and the Pacific, Japan-APEC Partnership for Education and Training, APEC Youth Skill Camp Program, APEC Vocational Training Program, and APEC Business Volunteer Program were presented, either their completed reports or just their progress reports.

- 2000 - In the 22nd APEC HRDWG Meeting in Bandar Seri Begawan, Brunei, progress reports on projects similar to those above were presented. In relation to labor mobility, Japan proposed and spearheaded an event titled “Workshop on International Migration and HRD, Phase II: Symposium on International Migration and Structural Change in APEC Member Economies.” Meanwhile, the USA and the Republic of the Philippines proposed an APEC Forum on Cross-Cultural Understanding of the Implementation of Standards and Accreditation in Supply-Chain Management (Philippines/USA).

- 2001, 2002, 2003 - Not much progress on labor mobility was made.

- 2004 - In the 26th HRDWG Meeting in Jeju, Korea, initiatives on tackling labor mobility by APEC member economies were committed as the second part of the Osaka Action Plan. In particular, an enhanced quality of the labor force and mobility of qualified persons was promised. Facilitating mobility of qualified persons to help meet skills shortages by developing means for mutual recognition and increase opportunities for people to gain the skills required for the economic growth and development of member economies in the region as a whole was also a priority for the APEC HRDWG for years 2002-2004, but, unfortunately, no project was made under the said priority.

- In the Leaders’ Declaration in Santiago, Chile, Leaders of member-economies acknowledged actions being done by APEC, one of them being achieving progress in implementing business mobility initiatives, such as an Advance Passenger Information Systems (API), the development of a Regional Movement Alert List System (RMAL), and cooperation for the issuance of machine-readable travel documents by 2008.

- 2005, 2006, 2007 - While labor mobility was given priority as manifested in the 2004 Leaders’ Declaration, not much progress on the said initiatives was discussed, and the focus was still on the mobility of business people.

- 2008 - In Hanoi, Vietnam, an APEC Seminar on Social Policies for Migrants to Prevent the Transmission of HIV/AIDS took place. The Philippines’ response to protecting migrant workers is based on the implementation of already existing policies on migration and HIV/AIDS. Locally, Republic Act (RA) 8504, or the Philippines AIDS Prevention and Control Act, has a specific clause related to temporary labor workers as follows:

“All overseas Filipino workers, diplomatic, military, trade and labor officials, and personnel to be assigned overseas shall undergo or attend a seminar on the cause, prevention, and consequences of HIV/AIDS before certification for overseas assignment.”

- RA 8402, or the Migrant Workers and Overseas Filipino Act of 1995, focuses on the dignity of the temporary labor worker. Similarly, international conventions and declarations, notably the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (Convention

90) and the International Labor Organization (ILO) Convention Concerning Migration in Abusive Conditions and the Promotion of Equality of Opportunity and Treatment of Migrant Workers (No. 143), and the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers, all uphold the rights of temporary labor migrant workers.

- 2009 - In Singapore, Leaders of the APEC member-economies have committed as part of the APEC inclusive growth agenda to “put job creation at the heart of our economic strategy and enhance cooperation to address the social implications of globalization. In addition, they will facilitate the retraining, skills upgrading, and mobility of our workers so that they can secure jobs, especially in new and growing industries.”

- Alongside with the declaration, Leaders have endorsed the APEC Principles for Cross-Border Trade in Services and the APEC Services Action Plan and the Supply Chain Connectivity Framework.

- Some projects in relation to labor mobility include the completed Mapping of APEC Qualifications Frameworks and a proposal regarding a Seminar on Qualifications Frameworks. Per report on the Mapping Qualifications Frameworks across APEC economies, the formulation of National Qualification Frameworks will ensure a development of workers’ skills, facilitation of labor mobility, and enhanced access to higher and different levels of education and training.

- 2010 - The latest Economic Leaders’ Meeting in Yokohama, Japan, resulted in more compact commitments, stemming from the Bogor Goals, to enhance trade in services in the Asia-Pacific region. In particular, it has encouraged a broader participation of the private sector in advancing trade in services for the purpose of (1) generating better quality and more productive jobs and (2) raising the productivity of the industries, both throughout the region. Prior to such commitment, there has already been an agenda to enhance supply-chain productivity at the border, behind the border, and across the border. A goal to improve supply chain performance by 10 percent in terms of time, cost and uncertainty was established.

- It was explicitly stated in the Bogor Goals of 2010 that “all APEC Economies must maintain their individual and collective commitment to further liberalize and facilitate trade and investment by reducing and eliminating tariffs, restrictions on trade in services, and restrictions on investment and promoting improvement in other areas including non-tariff measures.” The Bogor Goals included developing an APEC Connectivity Framework—composed of Institutional Connectivity, Physical Connectivity, and People-to-People Connectivity. This framework will greatly help in raising the bar in trade in services through enhanced labor mobility. The advancement in the facilitation of movement of people, from tourists to professionals and workers, will be the focus under the clause of People-to-People Connectivity.

- It was also during this year that the APEC New Strategy for Structural Reform (ANSSR) was endorsed. One of the five key areas under the strategy is Promoting Labor Market Opportunities, Training, and Education.
- In the HRDWG meeting in Yokohama, Japan, the HRDWG Work Plan of 2010 was formulated. The three objectives of the work plan are to develop 21st century knowledge and skills for all, integrate human resource development into the global economy, and address the social dimension of globalization. Project proposals that adhere to these objectives are encouraged for funding and implementation. One completed project this year in relation to labor mobility is Comparability and Benchmarking of Competencies and Qualification Frameworks in the APEC Region (focusing on Construction/Welding).
- 2011 - Labor mobility was not discussed nor prioritized in the Leaders' Declarations.
- 2012 - In the Leaders' Declaration in Vladivostok, Russia, Leaders committed on the mobility of students, educators, and researchers through higher education cooperation. First, enhancement of the mobility of students can be achieved through comparison of best practices in terms of course accreditation and quality assurance systems, models of good regulatory practices, and transparency of student visa requirements. Second, the development of existing and joint research activities and exploring ways to improve the mobility of the academic workforce would further enhance the mobility of researchers. Third, the mobility of education providers could be enhanced either through a focus on transparency and mapping of regulation policies of the establishment of foreign providers and benchmarking and identifying best practices in APEC on quality assurance systems. Lastly, the existing network of bilateral agreements should also be enhanced through the examination of issues related to the flexible design and delivery of educational content and expanding the availability of data on educational programs in APEC economies.

Since APEC's conception, temporary labor mobility and its enhancement, facilitation, and the like were discussed only minimally. The focus of discussions was on Mode 1 and Mode 3 of GATS. Mode 1 of GATS pertains to services that are supplied from the territory of one country to another economy, or technically called as cross-border trade. An example of this would be a receipt of services from economy A through telecommunications, postal infrastructure, or ICT. Meanwhile, Mode 3 is aptly called commercial presence, and this is a type of service supply wherein services are provided within economy A by a locally established affiliate, subsidiary, or representative office of a foreign-owned and -controlled company.

#### **IV. Recent Developments**

During the IOM's Intersessional Workshop on Free Movement of Persons in Regional Integration Processes, an overview of the different trading blocs and an assessment on the degree of freedom in labor mobility among these blocs was presented (2007). The results showed that trading blocs with full labor mobility in their regions are

the following: the EU, European Economic Area (EEA), the Nordic Common Labor Market, the European Free Trade Association (EFTA), Common Market for Eastern and Southern Africa (COMESA), Economic Community of West African States (ECWAS), Andean Community of Nations and the Commonwealth of Independent States (CIS). On the other hand, trading blocs with labor market access for certain groups only comprise the Caribbean Community (CARICOM) or the Caricom Single Market and Economy (CSME), North America Free Trade Agreement (NAFTA), the Economic Community of Central African States (ECCAS), the ASEAN, and South African Development Authority (SADC). Lastly, trading blocs with no market access but rather facilitated entry include the South Asian Association for Regional Cooperation (SAARC), the APEC, the Community of Sahel-Saharan States (CEN-SAD), the Inter-Governmental Authority on Development (IGAD), and the East African Community (EAC).

Overviews of the stance taken by some trading blocs are provided below:

## **ASEAN**

In 2000, member-economies from ASEAN established the Labour Ministers Work Programme, acknowledging human capital development as a primary concern and the need to prepare the labor force amidst the accelerating globalization and trade liberalization. A framework was established wherein five top priorities include (1) Employment Generation, (2) Labour Market Monitoring, (3) Labour Mobility, (4) Social Protection, and (5) Tripartite Cooperation.

Meanwhile, in 2007, the organization formed the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers as one of its initiatives in establishing an ASEAN Economic Community, to be fully implemented in 2015. Box 3 shows salient features of the AEC Blueprint. The formation of an ASEAN Community rested on three pillars: an ASEAN Security Community, an ASEAN Economic Community, and an ASEAN Socio-Cultural Community.

The ASEAN Declaration is also based on the Universal Declaration on Human Rights as adopted by the General Assembly Resolution 217(A)(III), the Convention on the Elimination of All Forms of Discrimination against Women, and the Convention on the Rights of the Child. Annex 1 shows the copy of the Leaders' Declaration. The excerpt below presents the following commitments made through the declaration includes:

- “For purposes of protecting and promoting the rights of migrant workers, ASEAN Member Countries in accordance with national laws, regulations and policies, will:
- Promote decent, humane, productive, dignified, and remunerative employment for migrant workers;
  - Establish and implement human resource development programmes and reintegration programmes for migrant workers in their countries of origin;



- Take concrete measures to prevent or curb the smuggling and trafficking in persons by, among others, introducing stiffer penalties for those who are involved in these activities;
- Facilitate data-sharing on matters related to migrant workers, for the purpose of enhancing policies and programmes concerning migrant workers in both sending and receiving states;
- Promote capacity building by sharing of information, best practices as well as opportunities and challenges encountered by ASEAN Member Countries in relation to protection and promotion of migrant workers' rights and welfare;
- Extend assistance to migrant workers of ASEAN Member Countries who are caught in conflict or crisis situations outside ASEAN in the event of need and based on the capacities and resources of the Embassies and Consular Offices of the relevant ASEAN Member Countries, based on bilateral consultations and arrangements;
- Encourage international organisations, ASEAN dialogue partners and other countries to respect the principles and extend support and assistance to the implementation of the measures contained in this Declaration; and
- Task the relevant ASEAN bodies to follow up on the Declaration and to develop an ASEAN instrument on the protection and promotion of the rights of migrant workers, consistent with ASEAN's vision of a caring and sharing Community, and direct the Secretary-General of ASEAN to submit annually a report on the progress of the implementation of the Declaration to the Summit through the ASEAN Ministerial Meeting."

As a follow up to the ASEAN Declaration, a work plan was formulated, wherein projects and initiatives were created revolving three thrusts:

- a. step up protection and promotion of the rights of migrant workers against exploitation and mistreatment;
- b. strengthen protection and promotion of the rights of migrant workers by enhancing labor migration governance in ASEAN countries; and
- c. regional cooperation to fight human trafficking in ASEAN.

In relation to the first thrust, a policy repository of best practices in migrant worker management policies and a strengthening of information services were proposed. Policies covered were the regulation of recruitment agencies, provision of basic information services to migrant workers, resolution of employment disputes, and repatriation of migrant workers. Meanwhile, information and communication tools were enabled such as brochures and pamphlets to guide a temporary migrant worker on processes and requirements.

A particular initiative that would fall under the first thrust would be an establishment of the ASEAN Qualifications Referencing Framework (AQRF), which the Philippines



currently chairs. Objectives of the AQRF include facilitating mobility of practitioners within ASEAN, exchanging information and enhancing cooperation in respect of mutual recognition of practitioners and promoting adoption of best practices on standards and qualifications, and providing opportunities for capacity-building and training of practitioners. Box 4 provides a list on the MRAs already implemented throughout the regional bloc and updates on the commitments made by the Philippines in the ASEAN Framework Agreement on Services per Tullao (2014).

The rationale behind this is that when qualification standards are consistent throughout the ASEAN, it would be easier for businesses to hire manpower based on their skills, and thus labor mobility processes in terms of recruitment would be smoother. Latest records show that key features, underlying principles, and the structure of the AQRF have been finalized in November 2013 during the 3rd meeting of the Task Force of the AQRF (TF-AQRF). The Philippines and China are said to have started the Comparability of Qualifications, starting with Welding Qualifications.

The second thrust focused on labor mobility governance as a means to promote and protect temporary workers. Proposals thus involved mainly workshops on the best practices in improvement of overseas employment administration and in protecting temporary migrant workers. Specific workshops proposed were on eliminating recruitment practices and on relaying information services to migrant workers.

Lastly, expertise of the Senior Officials' Meeting on Transnational Crime (SOMTC) was combined with the Labour Ministers' Meeting (LMM) in order to attain the thrust of regional cooperation of fighting human trafficking in ASEAN.

APEC can learn from ASEAN's commendable efforts in the promotion and facilitation of labor mobility. Given that members of the ASEAN are also members of APEC, bringing these issues and practices to the discussions will enlighten other countries as well as help in assessing the projects' impact, strengths and flaws in terms of enabling and facilitating labor mobility in the region. The AQRF is one initiative that can be brought into APEC.

### **North American Free Trade Agreement (NAFTA)**

Canada, Mexico, and the USA, members of the NAFTA, are also part of APEC. A whole chapter in their free-trade agreement is dedicated to the mobility of workers. In NAFTA, temporary labor mobility benefits are applied only to business visitors, traders, investors, intracompany transferees, and professionals, meaning that lower skilled workers are not given mobility benefits. This is not limited to the services industry alone, but those professionals from the agricultural and manufacturing sectors are also allowed to travel within the countries in agreement. A bachelor's degree is the minimum qualification for all professions. Self-employed persons are not qualified.

### **European Union (EU)**

The European Union is very much advanced in liberalizing trade in services through labor mobility. In their Treaty of Rome formulated in 1958, the mobility concept was

already tackled, but it was only in the 1970s when the true free movement of workers was implemented. The EU community regards the free movement of workers as a fundamental right. In Article 45 of the Treaty of the Functioning European Union (TFEU), full mobility within the Union includes mobility of workers. Their definition of workers was all-encompassing: any person who engages in economic activity or is part of the labor force. This means that, aside from skilled and lower skilled temporary migrant workers, self-employed workers, working students engaged in vocational training, and even unemployed persons looking for work are free to work in another member-state. Regardless of the nationality, all temporary migrant workers are equally entitled to social security and pensions.

In 1964, the Council Directive 1964/221/EEC was issued related to special measures in relation to public security or public health as justification for disallowance of a temporary migrant worker to enter the member-state. Examples include workers who carry viral diseases, are addicted to drugs, or are deemed mentally unfit to conduct themselves and live as temporary migrant workers in another member-state. Those with previous criminal charges may be refused to work in the receiving country.

In 1985, the Schengen Agreement was formed, prompting EU members to eliminate checks at shared borders as well as visa issuances.

In 2005, the Council Directive 2005/36/EC was implemented, tackling the recognition of professional qualifications in the region in order to better facilitate worker mobility. Mutual recognition of qualifications is done in a regional basis and is applicable to the following professions: nurses, dental practitioners, veterinary surgeons, midwives, architects, pharmacists, and doctors.

## **V. Emerging Opportunities and Initiatives for Cooperation**

### **A. APEC Documents and Recent Meetings**

Currently, the greatest accomplishment in APEC's labor mobility is the establishment of APEC Business Travel Cards program where the discussions are focused on improving its facilitation. In particular, member-economies have noted the following issues to work on:

- improving the system of APEC Business Travel Cards,
- expansion of the program in terms of geography and in areas of application,
- introducing automated customs systems, and
- harmonizing standards of migration services.

The Philippines has agreed and has committed with all these suggestions per the presentation of Foreign Affairs Undersecretary Laura Q. del Rosario to continue the ongoing efforts for the said improvements. The Philippines may take initiatives by providing tools to enhance the above suggestions.

During the 1st meeting of the National HRDWG in October 2013, the Philippines, as the host nation for the APEC 2015 Summit, decided to make inclusive growth the overall theme for the Summit. Submission of project proposals by different implementing agencies is urged to be in relation under this theme. This would be a good opportunity for the inclusion of the labor mobility liberalization study among lower skilled workers.

Aside from improvements in skilled labor mobility, the facilitation of labor mobility through education and skills training is proposed. An upcoming High Level Meeting on Human Capacity Building was proposed by the Technical Education and Skills Development Authority (TESDA), surrounding the theme Human Capacity Building for Sustainable and Inclusive Growth. In relation to this meeting, the following subthemes will be included:

- Developing the 21st Century Skilled Workforce: Key to Competitiveness and Sustained Growth
- Green and Blue Skills: Imperatives to Human Capital Development Efforts
- Technology in Skills Development: Increasing the Reach and Improving Quality of Technical Vocational Education and Training
- Skills Development for Inclusive Growth: Showcasing Promising Initiatives

Under the first subtheme, an APEC-wide Qualifications Referencing Framework (QRF) similar to the ASEAN Referencing Framework was brought up in the local discussions. According to the discussions, the elimination of MRAs will pave the way for a regionwide recognition of skills, which is a wonderful opportunity and will positively contribute to liberalization of labor mobility in the region.

In the latest National HRDWG discussions in February 2014, the group proposed to make Human Capital Development the first priority in the APEC 2015 Summit. The rationale behind this is that human capital development through education and skills training should be the first priority before establishing regional economic integration. Subpriorities included:

- Development of the 21st Century Workforce: Key to Competitiveness and Sustained Growth
- Developing Knowledge Capital
- Cooperation in Education to Foster Innovation Development in Science and Technology
- Increasing Productivity of SMMEs through Skills Training
- Developing an APEC-wide Qualifications Referencing Framework

It should be noted that the escalation of the APEC QRF from an initiative to a priority will also be discussed in the APEC 2015 Summit.

## B. Focus Group Discussions

An FGD was held on March 26, 2014, at PIDS between the research team and among the members of the TBAM-HRDWG. The study's zero draft on labor mobility was presented to members of the TBAM-HRDWG in order to gain insights on their views regarding the liberalization of labor mobility and to gain recommendations on what should be discussed during the APEC 2015 Summit. Members of the TBAM-HRDWG were representatives coming from the Department of Labor and Employment (DOLE), TESDA, Commission on Higher Education (CHED), and Department of Foreign Affairs (DFA).

The following guide questions were asked during the study's FGD:

- Among several issues surrounding labor mobility, which are appropriate, necessary and feasible for discussions in the APEC 2015 Summit?
- Should we still focus on Human Capital Development (education, skills training)?
- So much focus has been on enhancing labor mobility, but what about commitments to harmonize country-by-country labor policies?
- Should we create standards in creating country-to-country labor agreements?
- What about facilitation of labor itself? Improving processes, administration, etc.
- In relation to labor statistics, what indicators, measures, and data would help in establishing a good labor mobility model?
- What can we learn from other regional trading blocs regarding their stance and policies on labor mobility?

The most relevant topic discussed was on the misconceptions regarding the labor mobility definition and how it is different from labor migration. In labor mobility, the transaction is between the employer and the service firm provider, not a direct transaction between the employer and the individual worker. This is different from typical OFWs who go out of their way to apply for work abroad. For example, an employer in country A is in need of a specific number of professionals with a certain skillset. Service providing firms throughout the region would be bidding for provision of manpower. The highest bidder would be providing manpower to the said employer, alongside with processing visas, and other requirements in employment abroad. This batch of manpower will be working for the said company for a term as stipulated in their contracts.

To emphasize a point, labor mobility is defined and is deemed acceptable in APEC if workers are deployed through a legal intermediary, a registered manpower firm, for a certain period of time. Governments in the Asia-Pacific want to ensure that workers deployed abroad will return after a contract expires and deployed again only after a new contract is renewed. Governments also want transactions to be done legally

to curb illegal transaction processes. The sprout of illegal practices (undocumented migrants, fake passports, fake visas, etc.) can be possibly curbed through a registered manpower agency. Meanwhile, the manpower agency is also expected to be able to find workers with a certain kind of skillset relevant to work needed. Alongside with agencies going through legal processes, they must ensure that their workers have skills and will stay throughout the contract period. Employees who wish to terminate the contract during the employment period, however, can simply be replaced by a worker coming from the same service providing firm.

While the definition of labor mobility was clear for all representatives during the meeting, an inquiry by Mr. Jose Sandoval of DOLE–Bureau of Labor and Employment regarding the hiring of workers under the manpower agencies brought arguments among the FGD participants. Mr. Sandoval inquired if the hiring of workers should be purely Filipino, or temporary workers of the Philippines, or if non-Filipino resident can be hired as workers under the manpower agency. He asserted that since the bidding of services is global, then the hiring of workers should be global. However, this might spurred concerns on the Filipino's global competitiveness and capability to compete with foreign workers.

Concurrently, there were some comments regarding emerging opportunities not mentioned in the study. First is the signed MRA for tourism professionals, aimed at standardizing tourism in the ASEAN region. Ms. Patty Dela Rama of TESDA stated that this is an initiative made by the Department of Tourism (DOT). It was implemented on November 9, 2012, and it serves as a significant component for ASEAN Economic Community Integration by 2015. Prior to this, a study on benchmarking qualifications on the MRA of tourism professionals was already made and signed in January 2009. Several other projects have been done in relation with establishing professional qualifications (Box 5).

Second is the project on the inclusion of “Cooperation of Future Jobs” in High Level Policy Dialogue on Science and Technology in Higher Education. According to Atty. Lily Freida Milla of CHED, preparations are already underway for this project to be launched in 2015. Lastly, Atty. Milla pointed out that participants from the National Class Workshop are unanimous in pushing for APEC Cards for experts to bring faculties and experts in the universities of other economies.

Discussants were then asked if focusing on Human Capital Development is still necessary, appropriate and feasible as a priority for the APEC Summit 2015. The reasoning behind this question is that as manifested during APEC discussions from 1989 to 2011, several projects catering to education and training, or the enhancement of labor mobility, were already implemented. However, not much on facilitation of labor mobility was made. Ms. Rebecca Calzado of DOLE and Ms. Patti Dela Rama (TESDA) responded that human capacity development is indeed still necessary, appropriate, and feasible a priority for the APEC Summit 2015. Highly skilled professionals and skilled workers should, of course, be prioritized simply because they meet job requirements. President Aquino's inclusive growth objective as stipulated in the Philippine Development Plan is a good enough reminder for the constant pursuit of this initiative.

Also, the misconception between skilled and unskilled workers was brought up during the discussions. Basically, unskilled workers, meaning not having skills at all, should not at all be prioritized as any employer would, of course, be looking for workers with skills. However, for some sources, the meaning of unskilled does not, at all, refer to workers without skills but rather unprofessional workers (blue-collar workers such as welders, plumbers, gardeners, etc.). After the discussions, it was pointed out that, first, the MRAs are slowly being expanded to blue-collar jobs such as construction work and manufacturing; second, a Qualifications Referencing Framework is also being expanded to include such skillsets; and, lastly, a database for workers with certified skills is being proposed. Overall, the meaning of unskilled workers usually refers to blue-collar workers, which, literally, are still skilled workers but are not professionals. But the public degrades unskilled workers the moment they are brought up because they have no skills. Given the misconception, a harmonization of the definition of the terms skilled and unskilled workers is proposed. Efforts are being done to pursue projects above that will eventually lead to “unskilled” workers being skilled, through certifications. Hence, DFA has set the term to be used for temporary mobile workers, as a whole is professional service workers. No segregation should be necessary.

Removing the stigma of blue-collar workers through unifying these two groups is one strategy in attaining inclusive growth. The research team foresees, however, that member-economies might protest against this change, insisting that professionals have “earned” their right to that label, among other politicking. The APEC Summit 2015 delegation team can resolve this through emphasis on the overall theme of inclusive and equitable growth. Discrimination is a hindrance in access to opportunities. The fulfillment of Asia-Pacific economic integration must also ensure every laborer in the region, professionally licensed or not, must have access to job opportunities.

Discussions then proceeded to commitments in the harmonization of economy-to-economy labor policies. Discussants noted that this should not be included as priority during the APEC Summit because they interfere with the states’ sovereignties. Politically, it is not appropriate to discuss this immediately on a regional level. Once the initiatives proposed above have been settled, there may be a need for the harmonization of country-to-country labor policies to be brought up in the discussions.

It was concluded by the TBAM-HRDWG that the following issues related to labor mobility are deemed as appropriate, necessary, and feasible to be brought up for discussions during the APEC Summit 2015:

- Emphasis on labor mobility as part of trade in services
- MRAs of qualification standards
- Human capital development and management, giving more attention to capacity-building
- Developing guiding principles for country-to-country labor agreements and labor components in trade agreements
- In relation to labor statistics, what indicators, measures, and data would help in establishing a good labor mobility model? (skills mapping, exchange of information on labor supply and demand)

- What can we learn from other regional trading blocs regarding their stance and policies on labor mobility?

### C. National Workshop on Services

The National Workshop on Services held on June 2–4, 2014, in the Asian Institute of Management (AIM) showcased several studies on several aspects of services. The workshop was attended by professionals coming from the academe, government, and different industries. Representatives from different industries presented market trends, issues, strengths, and weaknesses on their respective industries in an attempt to provide an overall view of their competitiveness as preparation for the ASEAN Economic Integration and the APEC Summit in 2015. Another matter discussed was the sectoral approach or perspective in tackling labor mobility.

Some strong interests from the various sectors and notable insights during the workshop are the following:

*The Philippines has the potential to be a Maritime Cluster that will provide a full suite of services to the world.* Huge opportunities remain in the maritime industry, as Filipino seafarers continue to be sought after globally. Magsaysay-Ho (2014) conveyed the vision of the Philippines becoming a Maritime Cluster, citing the Singapore experience as an example on how to achieve this vision. Ultimately, the goal is to bring about a Filipino seafarer who is internationally exposed, competent, skilled, and experienced. Several aspects that needed improvement were suggested in order to bring about this envisioned competitive maritime cluster. Relevant to the study are the following aspects: ship management, education and training, surveys and audits, and trade and infrastructure.

With respect to ship management, the goals are that Filipinos seafarers are exposed to various cultural differences and adhere to global standards, that the Philippines be regarded as a natural destination for ship management services and a pipeline for technical, marine, crewing staff and managers. Meanwhile, in the aspect of maritime education and training, a suitable number of experienced instructors and training equipment and a pipeline for educated and trained seafarers for ships and shore-based opportunities are desired. In the realm of surveys and audits, a pipeline of surveyors and auditors for certifying bodies such as class societies, insurance underwriters, P&I clubs, and insurance adjusters from the Philippines catering globally is envisioned. A developed port infrastructure, appropriate technology, and efficient logistics processes are all necessary in order to realize the envisioned Philippine Maritime Cluster. In this light, policies that liberalize the mobility of Filipino seafarers and certify their skills as standardized through the Qualifications Referencing Framework will boost the maritime sector.

*The Philippines can take the lead in analytics services industry as promised by leaders in the Information Technology-Business Processing Management.* Bongato (2014) presented significant achievements in the Information Technology-Business Processing Management, such as 900,000 jobs filled up in the information technology and business process management (IT-BPM) industry as of 2013, revenue of USD 15.5



billion in 2013, second global outsourcing destination and first in voice outsourcing. The speaker has placed emphasis on Filipino professionals as skilled English-speaking professionals, with a Western-based legal and accounting curriculum and certification, voice and customer service. It was also noted that the IT-BPM is not confined to voice, but a wide range of services outsourced, from finance and accounting, healthcare, legal, gaming, and programming industries. This IT-BPM industry actually exemplifies more on the benefits of trade in services in terms of other modes of supply. However, applied in professional service mobility, the temporary mobility of these professionals, especially in fields such as gaming, IT, animation, and other fields not considered as professionals nor licensed, may help improve their services upon return to the economy.

*The Philippines has the capability to be known as home to world-class brands with the internationalization of Philippine franchise brands.* Sibal-Limjoco, Vice Chairman of the Philippine Franchise Association (2014), expressed concern with the difficulty in identifying suitable local partners and hiring professionally skilled employees. Restrictions with regard to labor mobility, lack of mutual recognition of skills and qualifications, visa, travel, and work restrictions have been experienced by these professionals. In this light, the development of MRAs for franchise professionals and flexibility of franchise professionals in terms of labor mobility were all recommended as solutions to said concerns. Particular projects that were proposed are a certification program for franchising professionals in APEC, a one-stop shop business assistance network, education and training, and frequent APEC Franchise Expositions.

*The Philippines has opportunities in International Tele-Health and as Medical Retirement Zone.* The presentation by Galvez-Tan exposes some opportunities in the tele-health industry and medical tourism. While Galvez-Tan laments on the still rampant brain drain or out-migration involving health professionals, he is positive that negotiations with regard to MRAs and collaborations with Filipino professionals with foreign licenses must still take place. Potential is seen on the Philippines Medical Services Development, particularly on services such as tele-health, international and medical retirement zone, health professional registries, and world-class medical, dental, and health sciences education. A boost in the standardization of licensed nursing schools will enhance the quality of nurses and, alongside with the Qualifications Referencing Framework, will enhance professional service mobility.

Serafica (2014) noted the need to have a comprehensive, consistent, and coherent services strategy, given the insights gained from the workshop:

- Services are valuable in international trade.
- Numerous opportunities abound for new business models and digital services.
- Manufacturing-related services will expand out of China and Thailand.
- Growth in services sector is currently limited to only the BPO, while telecom and real estate industries are touted as high-growth industries; and it is limited to only a few areas.



The necessity of having a comprehensive services strategy was emphasized, noting that if, at the firm level, efficiency in cost and quality, as well as accessibility to the poor, is achieved, then inclusive growth would be attained. The government is viable in making the services sector environment synonymous to perfect competition. This services strategy needs to be aligned with the inclusive growth objective of the Administration and needs to be formulated in coherence with strategies of both the agriculture and manufacturing sector. The formulation of this comprehensive services strategy will greatly improve Asia-Pacific labor mobility. It is likely that this strategy will resolve job mismatch and encourage more investments in education and skills and job training. Negotiators will have clearer objectives during negotiation and hopefully also be able to strike through their objectives better.

Key recommendations in this workshop include:

- Higher profile for services in APEC. ABAC and PECC have clamored the urgency for services to be discussed and elevated to the Senior Officials' Meeting (SOM), given that services also touch different working groups.
- "Services initiative" to be directly coordinated under SOM. As noted earlier, issues in the different kinds of services arising from their respective working groups will be better and immediately recognized if coordinated under a higher body, which, in this case, is the SOM.
- Emerging issues—cloud computing, data privacy, cross-border trade, "servicification" or subsidies in manufacturing, etc.—while fairly new, should be included already in discussions.
- ABAC's strong request for a public-private dialogue in Manila at SOM 2015. The inclusion of a public-private dialogue, similar to the National Workshop of Services wherein representatives from both the private sector and the public sector were included, will be helpful in pinpointing urgent needs of each industry. These insights will help better in providing coordination and in developing a much comprehensive services strategy.
- Highlight inclusive growth as it is a goal in both the PDP and APEC (revisiting APEC Growth Strategy in 2015). It was emphasized by Mr. Eduardo Pedrosa of PECC that inclusive growth is not only a part of the PDP but also included in the APEC growth strategy, in particular the five growth attributes: APEC aims to achieve Balanced, Inclusive, Sustainable, Innovative, and Secure Growth

## **VI. Summary and Recommendations**

Professional services mobility is supposed to be an utmost priority in the Asia-Pacific region, and yet, only recently have there been movements and discussions made in order to address this. The increasing internationalization of trade in services alone is one of the compelling reasons to make this a pressing priority. Data showed that the great and constantly accelerating magnitude of people moving from one

economy to another (movement of natural persons) for the purpose of work and better opportunities does significantly contribute to trade aside from other modes in GATS (e.g., outsourcing and commercial presence). Also, data pertaining to remittances in APEC exhibit great impact on the whole of trade in services. Additional benefits of liberalizing professional service mobility are that (i) it creates a balance between labor shortages and labor surpluses, (ii) it makes location-specific jobs present in most economies, (iii) it provides a natural continuum to globalization, (iv) it contributes to economic development through remittances, (v) it enhances regional economic integration through the spread of knowledge capital, (vi) it enhances human capital development of the whole Asia-Pacific region, and (vii) it triggers competition among countries in terms of labor.

On the other hand, there are several barriers or challenges to achieving a free flow of labor in the region. In fact, as it was noted in the discussions above that the free movement of labor is not feasible in most trading blocs, with Europe as only the notable exception. Examples of these barriers include complex FTAs and/or MRAs, protectionism, restrictive visa requirements, and complicated processes.

APEC Summit documents from 1993 to 2013 have provided little evidence that issues concerning professional service mobility were addressed. Initiatives such as the APEC Travel Card for business persons, as well as bilateral MRAs in some professions, have been implemented, but these do not suffice to promote labor mobility. Major concerns in addressing professional service mobility include the ease of mobility, the discrimination against lower skilled workers, human trafficking, and the many misconceptions on the topic.

The concept of labor mobility was discussed in a meeting recently held by the National APEC HRDWG, and it was agreed that labor mobility is not synonymous to migration as movement is facilitated by an intermediary or a manpower agency, and that lower skilled workers and skilled workers should refer to those people who do not bear any qualifications and those people who bear certifications and qualifications, respectively. It was also decided that these skilled workers—workers who are either professionally licensed or those certified through the Qualifications Referencing Framework—be lumped into one, to be termed as professional service workers.

Besides addressing the misconception between labor mobility and migration, discrimination against lower skilled workers is also being addressed through several initiatives. First, the national APEC Working Group is already planning a regionwide Qualifications Referencing Framework, similar to ASEAN, and second, more capacity trainings that engage with lower skilled workers are being planned so as to boost the quality of their skills. The rationale behind this is that lower skilled workers, working in either their own place of residence or in a foreign land, are mostly faced with blunt discrimination. Most of the time, lower skilled workers working abroad receive harsher treatment. In addition, employers from a certain economy would prefer its own nationals because of nationalistic sentiments; they would also likely perceive its own workers as more skilled and imbued with the skills close to their standards than foreign workers.

In another aspect, the receiving government is likely to hire more educated and skilled workers because of their value or knowledge capital. Governments are also likely to perceive lower skilled workers as those who may resort to overstaying in their economy (those who become undocumented migrant workers), and they would want to avoid such cases. Hence, one way to eliminate such forms of negative perception toward lower skilled workers is to provide certifications for specific technical skillsets. Benchmarking has been established even for unlicensed occupations such as construction workers, certifying skills such as concrete block laying, etc. As suggested by Ms. Rebecca Calzado of DOLE, there should be a concept of a global worker, imbued with skills that are internationally benchmarked. The initiatives above are aligned in the inclusive growth objective, which is the overarching theme of the Summit.

Unlike ASEAN, which already has the Declaration on the Protection and Promotion of the Rights of Migrant Workers and the ASEAN Economic Community blueprint, and for EU, which has completely liberalized labor mobility in the EU, APEC is still far from achieving liberalized professional service mobility. Therefore, in an attempt to jumpstart discussions in APEC's labor mobility, the study echoes what has been recommended by experts from APEC HRDWG through the years.

For the APEC 2015 Summit, the study recommends the following; that an emphasis on labor mobility as part of trade in services be made; that initiatives to create an APEC-wide Mutual Recognition Arrangements of Qualification Standards be established; that Human Capital Management should be prioritized alongside with Human Capital Development; that guiding principles for country-to-country labor agreements and labor components in trade agreements be developed; and, lastly, that cooperation for collection of good labor statistics data, such as skills mapping and exchange of information on labor supply and demand throughout the region, be highlighted.



*To see the figures and tables in color, please see the online version at  
<http://dfa.gov.ph/index.php/apec-2015-policy-studies>*

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## APPENDIX

Box 1. List of professions per GATS and PRC

Professional Services According to the General Agreement on Trade in Services	
Legal services Accounting, auditing and bookkeeping services Taxation services Architectural services Engineering services	Integrated engineering services Urban planning and landscape architectural services Medical and dental services Veterinary services Services provided by midwives, nurses, physiotherapist and paramedical personnel
Licensed Professions Regulated by Professional Regulation Commission	
I. Technology Professions Agriculture Architecture Chemistry Environmental Planning Fisheries	Forestry Geology Interior Design Landscape Architecture Master Plumbers Sugar Technology
II. Health and Allied Professions Dentistry Medical Technology Medicine Midwifery Nursing Nutrition and Dietetics	Optometry Pharmacy PT / OT Radiologic Technology Respiratory Therapy Veterinary Medicine
III. Business, Education, Economic Professions Accountancy Criminology Customs Brokers Guidance Counseling Librarian	Marine Deck Officers Marine Engineer Officers Professional Teachers Psychology Real Estate Services Social Workers
IV. Engineering Professions Aeronautical Agricultural Chemical Civil Electrical Electronics	Geodetic Mechanical Metallurgical Mining Naval Architecture and Marine Sanitary

Source: Tullao (2014), Cueto (2014)

## Box 2. Facilitating Temporary Labor Mobility within APEC Region: Opportunities and Challenges

### Issues and Challenges to Labor Mobility

1. The most critical frictions, bottlenecks, barriers, and problems in temporary labor flows reported include:

- a. Absence or complexity of labor agreements in FTAs and MOUs
- b. Restrictiveness of national temporary worker visa regimes
- c. Deficient governmental agency capabilities and systems for managing and coordinating
- d. temporary worker flows within and across economies
- e. Misalignments between government labor policies and programs and immediate business needs
- f. High recruitment fees and travel logistics costs for businesses and workers
- g. Lack of adequate governance labor recruitment / placement agencies and foreign employers
- h. Lack of mutual recognition and verification of worker qualifications and credentials.
- i. Overly restrictive temporary worker visa regimes driven by protectionist sentiment and cultural Biases
- j. Weak or nonexistent processes and systems to ensure the repatriation of workers

2. Existing temporary worker labor policy within APEC is uneven and patchy. FTAs focus principally on the movement of business persons. Fully 98 percent of all labor provisions in FTAs focus on the movement of businesspersons. The movement of the skilled and unskilled workers has been neglected: 10 of the 42 FTA's have no chapter on labor mobility; 28 FTA's address labor in a Movement of Business or Natural Persons chapter, only 7 contain a labor chapter.

3. The scope and comprehensiveness of labor-specific MOUs/MOAs, negotiated in place of or as supplements to FTAs, are equally lacking. MOUs contain 30 percent fewer provisions than FTAs, and they are typically written with less specific policy detail. Disquietingly, of the 39 labor-specific MOUs identified, more than a third (equivalent to 14 agreements) were not available to the public.

4. No international labor agreement standards or labor mobility model measures exist. The absence of guidelines has resulted in differing approaches to preparing labor agreements. Against a proposed set of 30 essential labor provisions (considered important for ensuring comprehensiveness and effectiveness) the most thoroughly prepared labor agreement includes less than half.

5. Business executives do not want more studies documenting the existence of labor shortages. Executives want the conversation in APEC to move to focusing on developing more policy to improve temporary labor flows. Improving the cyclical pattern of temporary worker movement is a key concern of stakeholders in both sending and receiving economies.

6. Specific key problems reported by businesses were: the lack of comprehensive worker movement policies which create inefficiencies and high transaction costs; overly restrictive entry requirements in some economies; arbitrary quotas misaligned with labor shortages that reduce the level of workers hired; costs incurred by businesses and workers, from placement fees, double-taxation and lack of pension-portability; unregulated recruiting agencies; lack of worker pre-departure training; lack of mutually recognized training, assessment and qualifications; and assurance that workers return home when their employment term is complete.

Source: ABAC, USC Marshall (2009)



Box 3. Salient features of the ASEAN Economic Community Blueprint Goal:  
Free Flow of Services

“Free flow of trade in services is one of the important elements in realising ASEAN Economic Community, where there will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations. Liberalisation of services has been carried out through rounds of negotiation mainly under the Coordinating Committee on Services. Negotiation of some specific services sectors such as financial services and air transport are carried out by their respective Ministerial bodies. In liberalising services, there should be no back-loading of commitments, and pre-agreed flexibility shall be accorded to all ASEAN Member Countries... In facilitating the free flow of services by 2015, ASEAN is also working towards recognition of professional qualifications with a view to facilitate their movement within the region. ”

**Action Steps:**

- i. Remove substantially all restrictions on trade in services for 4 priority services sectors, air transport, e-ASEAN, healthcare and tourism, by 2010 and the fifth priority services sector, logistics services, by 2013;
- ii. Remove substantially all restrictions on trade in services for all other services sectors by 2015;
- iii. Undertake liberalisation through consecutive rounds of every two years until 2015, i.e. 2008, 2010, 2012, 2014 and 2015;
- iv. Target to schedule minimum numbers of new sub-sectors for each round: 10 sub-sectors in 2008, 15 in 2010, 20 in 2012, 20 in 2014 and 7 in 2015, based on GATS W/120 universe of classification;
- v. Schedule packages of commitments for every round according to the following parameters:
  - No restrictions for Modes 1 and 2, with exceptions due to bona fide regulatory reasons (such as public safety) which are subject to agreement by all Member Countries on a case-by-case basis;
  - Allow for foreign (ASEAN) equity participation of not less than 51% by 2008, and 70% by 2010 for the 4 priority services sectors; not less than 49% by 2008, 51% by 2010, and 70% by 2013 for logistics services; and not less than 49% by 2008, 51% by 2010, and 70% by 2015 for other services sectors; and
  - Progressively remove other Mode 3 market access limitations by 2015;
- vi. Set the parameters of liberalization for national treatment limitations, Mode 4 and limitations in the horizontal commitments for each round by 2009;
- vii. Schedule commitments according to agreed parameters for national treatment limitations, Mode 4 and limitations in the horizontal commitments set in 2009;
- viii. Complete the compilation of an inventory of barriers to services by August 2008;
- ix. Allow for overall flexibilities ix. 2, which cover the sub-sectors totally excluded from

liberalization and the sub-sectors in which not all the agreed parameters of liberalization of the modes of supply are met, in scheduling liberalization commitments. The scheduling of liberalization commitments in each round shall be accorded with the following flexibilities:

- Possibility of catching up in the next round if a Member Country is not able to meet the parameters of commitments set for the previous round;
- Allowing for substituting sub-sectors that have been agreed to be liberalized in a round but for which a Member Country is not able to make commitments with subsectors outside the agreed sub-sectors; and
- Liberalization through the ASEAN Minus X formula.
- Complete mutual recognition arrangements (MRAs) currently under negotiation, i.e. architectural services, accountancy services, surveying qualifications, medical practitioners by 2008, and dental practitioners by 2009;
- Implement the MRAs expeditiously according to the provisions of each respective MRA;
- Identify and develop MRAs for other professional services by 2012, to becompleted by 2015; and
- Strengthen human resource development and capacity building in the area of services.

#### **Goal: Free Flow of Skilled Labor**

“Allowing for managed mobility or facilitated entry for the movement of natural persons engaged in trade in goods, services, and investments, according to the prevailing regulations of the receiving country... In facilitating the free flow of services (by 2015), ASEAN is also working towards harmonization and standardization, with a view to facilitate their movement within the region.”

#### **Action Steps:**

- i. Facilitate the issuance of visas and employment passes for ASEAN professionals and skilled labor who are engaged in cross-border trade and investment related activities.
- ii. Enhance cooperation among ASEAN University Network (AUN) members to increase mobility for both students and staff within the region;
- iii. Develop core competencies and qualifications for job/occupational and trainers skills required in the priority services sectors (by 2009); and in other services sectors (from 2010 to 2015); and
- iv. Strengthen the research capabilities of each ASEAN Member Country in terms of promoting skills, job placements, and developing labor market information networks among ASEAN Member Countries.

Source: Riguer (2013)

#### Box 4. Established Mutual Recognition Arrangements in ASEAN

<p>ASEAN MRA for Dental Practitioners</p> <p>ASEAN MRA for Engineering Services</p> <p>ASEAN MRA for Nursing Services</p> <p>ASEAN MRA for Accountancy Services</p> <p>ASEAN MRA for Surveying Qualifications</p> <p>ASEAN MRA for Architectural Services</p> <p>ASEAN MRA for Medical Practitioners</p>
<p><b>Updates on the Commitments made by the Philippines per 8th AFAS:</b></p> <p>Subsectors with commitments <b>in terms of reciprocity requirements and equivalence of registration and licensing</b></p> <p>Auditing services – financial auditing and accounting review</p> <p>Bookkeeping services except tax returns</p> <p>Architectural services</p> <p>Taxation services</p> <p>Engineering services – civil, electrical, mechanical, and geodetic</p>

Source: ASEAN (2013), Tullao (2014)

#### Box 5. Inputs Provided by TESDA Regarding Details of MRAs

- ASEAN Mutual Recognition Arrangement on Tourism Professionals (MRA-TP)

The MRAs are arrangements between two or more parties to mutually recognise or accept some or all aspects of one another's conformity with assessment results. One of the objectives of the MRA-TP is to ease the mobility of tourism professionals within ASEAN based on a competency-based tourism qualifications/certificates. The MRA was signed by the ASEAN Member States on January 6, 2009, in Hanoi, Vietnam.

TESDA for its part (in partnership with the Department of Tourism – Tourism Industry Board Foundation, Inc. (DOT-TIBFI), has done the following:

- Comparability of CS/TR with the ASEAN Tourism Toolbox under the ASEAN MRA for Tourism Professionals;
- Conduct of ASEAN MRA briefing/awareness program in all regions;
- Conduct of National Master Trainers and Master Assessors Training for the implementation of the ASEAN MRA and Philippine Trainers and Assessors Training.

- Benchmarking of Qualifications on Ships' Cook

In compliance to the ILO Maritime Labor Convention 2006 Guidelines, TESDA has developed and promulgated the Training Regulations on Ships' Catering Services, NC I, II, and III in May 2013. These TRs are now being offered in various maritime schools in the country. One recent development in the area is the approval and adoption of new Guidelines on the Training

of Ship's Cooks in March 2014. This new guidelines was the result of the Meeting of Experts in Geneva on September 23-27, 2013. In response to this development, TESDA has convened a meeting of experts who were involved in the development of TRs on 25 April 2014. The meeting has explored the concern if there is a need to update the newly promulgated TRs on Ships' Catering Services based on the new guidelines.

- Benchmarking of Qualifications on Construction

The ASEAN Constructors Federation (ACF) is currently chaired by the representative of the Philippine Constructors Association (PCA). One of the main projects initiated by the PCA is the Construction Standard Trade Skills Training (CSTST) program to promote harmonization of skills standards/ training regulations and assessment and certification across ASEAN countries. The ACF has identified priority qualifications for skills standardization, which are the following:

- o Reinforcement Steel Works
- o System Formwork Installation
- o Timber Formwork
- o Brick Laying
- o Concrete Block Laying
- o Plastering
- o Tile-Setting
- o Welding
- o Structural Steel Work
- o Lifting/Earthmoving Equipment

The PCA and TESDA have collaborated in the development Training Regulations (TRs), Competency-Based Curriculum (CBC) and Competency Assessment Tools (CATs) for two priority skills:

- o System Formworks Installation NC II (Promulgated by TESDA on May 9, 2012)
- o Reinforced Steel Works NC II (Promulgated by TESDA in December 2013)

- Regional Model Competency Standards (RMCS) for Manufacturing

TESDA has done RMCS for the TRs related to manufacturing. A comparative analysis matrix was made that equates the Functional Area on the Manufacturing RMCS to TVET Qualifications. The qualifications were categorized into competency types such as (1) Basic – sets of competency that every worker must possess; (2) Common – sets of competency required of workers in a particular sector/industry and (3) Core – set of specialized units of competency required of workers unique in a particular area of work.

Some of the qualifications that have a corresponding functional area are as follows:

- Heavy Equipment Operator
- Heavy Equipment Servicing
- Visual Graphics Design
- Footwear Making

- Machining
  - Carpentry
  - Foundry Molding
  - Foundry Pattern Making
  - Welding
  - Building Wiring Installation
  - Automotive Mechanical Assembly
  - Automotive Electrical Assembly
  - Gas Welding
  - SMAW, GMAW, and GTAW Qualifications
  - Painting Machine Operation
  - Process Inspection
  - Automotive Servicing
- Regional Model Competency Standards for Domestic Worker (DOMWORKS)

The International Labor Organization co-hosted with TESDA a Technical Validation Workshop for Regional Model Competency Standard (RMCS) for Domestic Worker. The main objective of the workshop was to review and validate the content of the draft RMCS prepared by ILO. The following were the objectives of the workshop:

- To enable participants to gain understanding of the RMCS for domestic work and familiarize with the contents and how it can be applied;
- To draw on the practices and lessons learned from the development and implementation of existing relevant competency standards and training practices in the region and reflect them in finalizing the RMCS;
- To review and find the appropriate ways to incorporate core work skills and decent work elements into the draft RMCS. These competencies relate to effective communication, negotiation skills, living and working abroad, reproductive rights, skills responding to green concerns, empowerment skills, knowledge on workers' rights and how to deal with excessive overtime and reasonable wage and other related issues;
- To advise how the domestic work RMCS can be aligned with and support the ASEAN mutual recognition framework and the development of the ASEAN Reference Qualification Framework.

The output of the workshop was the final draft RMCS for domestic workers. It covers the following functional areas:

- Domestic Work Functional Area-A: Core units
- Domestic Work Functional Area-B: Domestic cleaning and basic housekeeping
- Domestic Work Functional Area-C: Basics of cooking
- Domestic Work Functional Area-D: Caring for infants and children
- Domestic Work Functional Area-E: Caring for elderly people
- Domestic Work Functional Area-F: Caring for household pets and plants

- Comparability and Benchmarking of Competencies and Qualification Frameworks in APEC Region (Pilot Area: Construction/Welding)

As part of the APEC HRWG Project, the Philippines, through TESDA and the People's Republic of China have jointly implemented a project entitled, "Comparability and Benchmarking of Competencies and Qualification Frameworks in APEC Region (Pilot Area: Construction/Welding)" in 2009. This is in response to the Ministers' calls to address the challenges in the 21st century skills through capacity building and human resources development. The project saw the need to equip economies with the proper information, policies, and training to take full advantage of freer movement of human capital and wider employment opportunities and to address the mismatch of skills and labor market requirements. Some of the recommendations of the study are as follows:

- The APEC Economies should work together to analyze the existing regional qualifications framework (such as EU's qualifications framework) and
- APEC should use the survey result and the lessons provided by economies with National Qualification Frameworks (NQFs) to facilitate ongoing dialogue between member-economies and other Asia-Pacific Economies on national qualifications frameworks;

On the basis of research and practice, a proposal for a voluntary regional qualification framework should be developed and disseminated among member-economies for comment.

Source: TESDA Planning Office (2014)